

Update on Enterprise Zone Program
As of 7/29/2013

Assembly Bill 93 and Senate Bill 90 passed and Governor Brown signed into Law.

The outcome of the bills are that the San Jose Enterprise Zone is **repelled and sunsets December 31, 2013**. The City of San Jose in collaboration and coalition with other agencies lobbied aggressively to preserve the Enterprise Zone program.

However the outcome was not in the Enterprise Zone's favor.

WHAT IS GOING AWAY on December 31, 2013

- Sales and Use Tax Credit. Any eligible equipment (computers, fax machines, copiers, manufacturing, assembly or production equipment) purchased between now and December 31, 2013 is still eligible to receive the State Sales and Use Tax credit under the Enterprise Zone program. Any excess credit to date that has been accrued or will be accrued through the end of the year can be carried forward for a maximum of 10 years.
- Hiring Tax Credit. An eligible hire that falls within one of the 13 eligible categories for the hiring tax credit can receive a voucher for any date of hire between now and December 31, 2013. *(It is not clear what the absolute cut-off date is for submitting voucher applications will be, for now assume all voucher applications need to be received by the City of San Jose NO LATER than December 20, 2013 to complete processing before 1/1/2014)* The voucher is good for five years assuming the employee meets the eligibility criteria. Any excess credit to date that has been accrued or will be accrued through the end of the year can be carried forward for a maximum of 10 years.

WHAT IS NEW FOR THE FUTURE (Starting January 1, 2014)

The State of California will have three new programs to replace the Enterprise Zone program.

1. Sales Tax exemption on Manufacturing Equipment.
 - Company has to be in the following industry codes (NAICS Codes 3111 to 3399, inclusive, 541711, or 541712)
 - Company has to be located in eligible census tracts as determined by the State of California Department of Finance **or a former Enterprise Zone boundary**.
 - There will be an exemption from the **State portion of sales tax (4.19%)** for all qualified equipment purchased after 1/1/2014
 - Qualifying equipment is identified as equipment used primarily in manufacturing, processing, refining, fabricating, or recycling of property
 - In order to receive the exemption, companies will need to apply to the State of California for an exemption certificate. *(There are no additional details at the present time how to do this)*
2. Hiring Tax Credit. The new Hiring Tax credit will be administered completely by the State of California **NOT** the City of San Jose. In order to receive a hiring tax credit the following specific conditions have to be met.

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- Companies in the following categories ARE NOT eligible for a hiring Tax credit. (NAICS Codes 44-45, 561320, 711110, 713210, 721120, 722410, 722511, 722513, 722514, or 722515)
 - Five types of qualified hires are eligible. Calworks, Ex-Offenders/Felons, Veterans, Individuals unemployed 6 months or longer, individuals that are eligible for the Earned Income Credit
 - Companies have to contact the Franchise Tax Board within 30 days of hire to "reserve" a credit
 - Employee has to be paid between \$12 and \$28
 - Company has to show proof of hire at the end of the calendar year to receive credit
 - Company has to be located in eligible census tracts as determined by the State of California Department of Finance **or a former Enterprise Zone boundary.**
 - It is possible that certain areas of the current Enterprise Zone may NOT be eligible based upon census data. (There are no additional details at the present time how San Jose may be impacted)
 - Credit will only be given for net NEW company jobs
 - Credit is 35% of the portion of wages over \$12/hr. and below \$28/hr. per year over five years
 - Example an employee makes \$13/hr.
 - $\$1/\text{hr.} \times 2080 \text{ hours (Full time employment)} \times 35\% = \text{\$728 is the credit}$
3. Go-Biz Negotiated Incentives. The Governor's Office of Economic Development (Go-Biz) will negotiate contracts for credits to individual businesses that meet various investment goals as established by Go-Biz.

This is the information that I have today. There are more unanswered questions currently than answered but I will do my best to keep you apprised.

If you have questions, please feel free to contact me 408-535-8178.

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